

Fig. 1 (100)

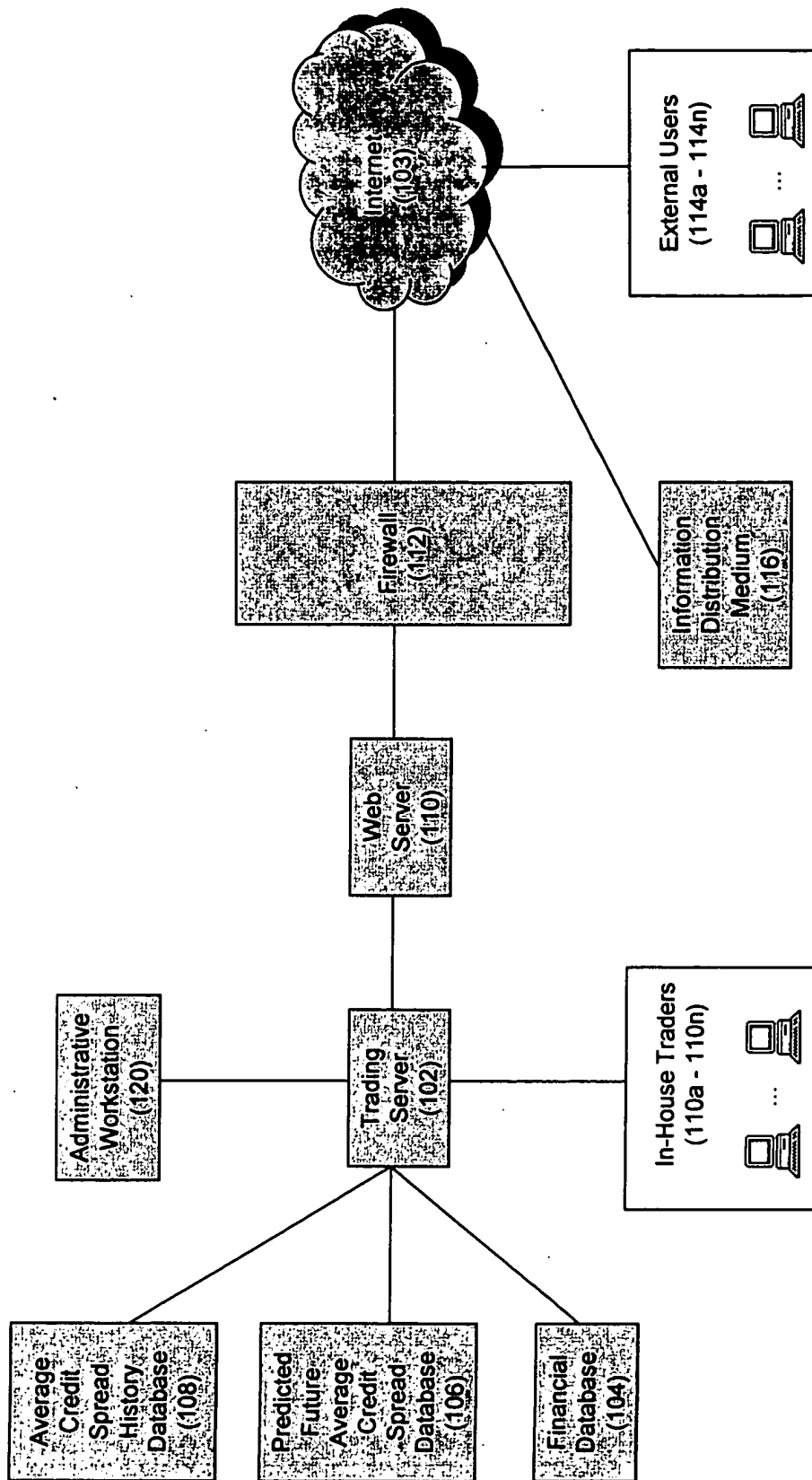


Fig. 2 Average Credit Spread History Database (108)

Time Period	ACS	Source	P1 (bp)	Type	Tick
199902	AIRLINE INDUSTRY: TOTAL	Moody's	168	Quarterly	1.00
199903	AIRLINE INDUSTRY: TOTAL	Moody's	171	Quarterly	-1.00
199904	AIRLINE INDUSTRY: TOTAL	Moody's	170	Quarterly	-1.00
200001	AIRLINE INDUSTRY: TOTAL	Moody's	169	Quarterly	1.00
200002	AIRLINE INDUSTRY: TOTAL	Moody's	172	Quarterly	1.00
200003	AIRLINE INDUSTRY: TOTAL	Moody's	174	Quarterly	-1.00
200004	AIRLINE INDUSTRY: TOTAL	Moody's	172	Quarterly	1.00
200101	AIRLINE INDUSTRY: TOTAL	Moody's	178	Quarterly	1.00
200102	AIRLINE INDUSTRY: TOTAL	Moody's	180	Quarterly	-1.00
200103	AIRLINE INDUSTRY: TOTAL	Moody's	177	Quarterly	1.00
200104	AIRLINE INDUSTRY: TOTAL	Moody's	198	Quarterly	1.00
200201	AIRLINE INDUSTRY: TOTAL	Moody's	204	Quarterly	-1.00
200202	AIRLINE INDUSTRY: TOTAL	Moody's	203	Quarterly	1.00
200203	AIRLINE INDUSTRY: TOTAL	Moody's	206	Quarterly	-1.00
200204	AIRLINE INDUSTRY: TOTAL	Moody's	205	Quarterly	1.00
200301	AIRLINE INDUSTRY: TOTAL	Moody's	202	Quarterly	-1.00

202
204

ADN: PASTAW-2
(212) 536-4870

Fig. 3 Predicted Future Average Credit Spread Database (106)

Time Period	ACS	Source	P1 (bp)	Type	Tick
200401	AIRLINE INDUSTRY: TOTAL	Moody's	204	Quarterly	-1.00
200402	AIRLINE INDUSTRY: TOTAL	Moody's	203	Quarterly	0.00
200403	AIRLINE INDUSTRY: TOTAL	Moody's	201	Quarterly	-1.00
200404	AIRLINE INDUSTRY: TOTAL	Moody's	199	Quarterly	1.00
200501	AIRLINE INDUSTRY: TOTAL	Moody's	200	Quarterly	-1.00
200502	AIRLINE INDUSTRY: TOTAL	Moody's	198	Quarterly	-1.00
200503	AIRLINE INDUSTRY: TOTAL	Moody's	195	Quarterly	1.00
200504	AIRLINE INDUSTRY: TOTAL	Moody's	196	Quarterly	1.00
200601	AIRLINE INDUSTRY: TOTAL	Moody's	195	Quarterly	-1.00

302
304

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Fig.4 (400)

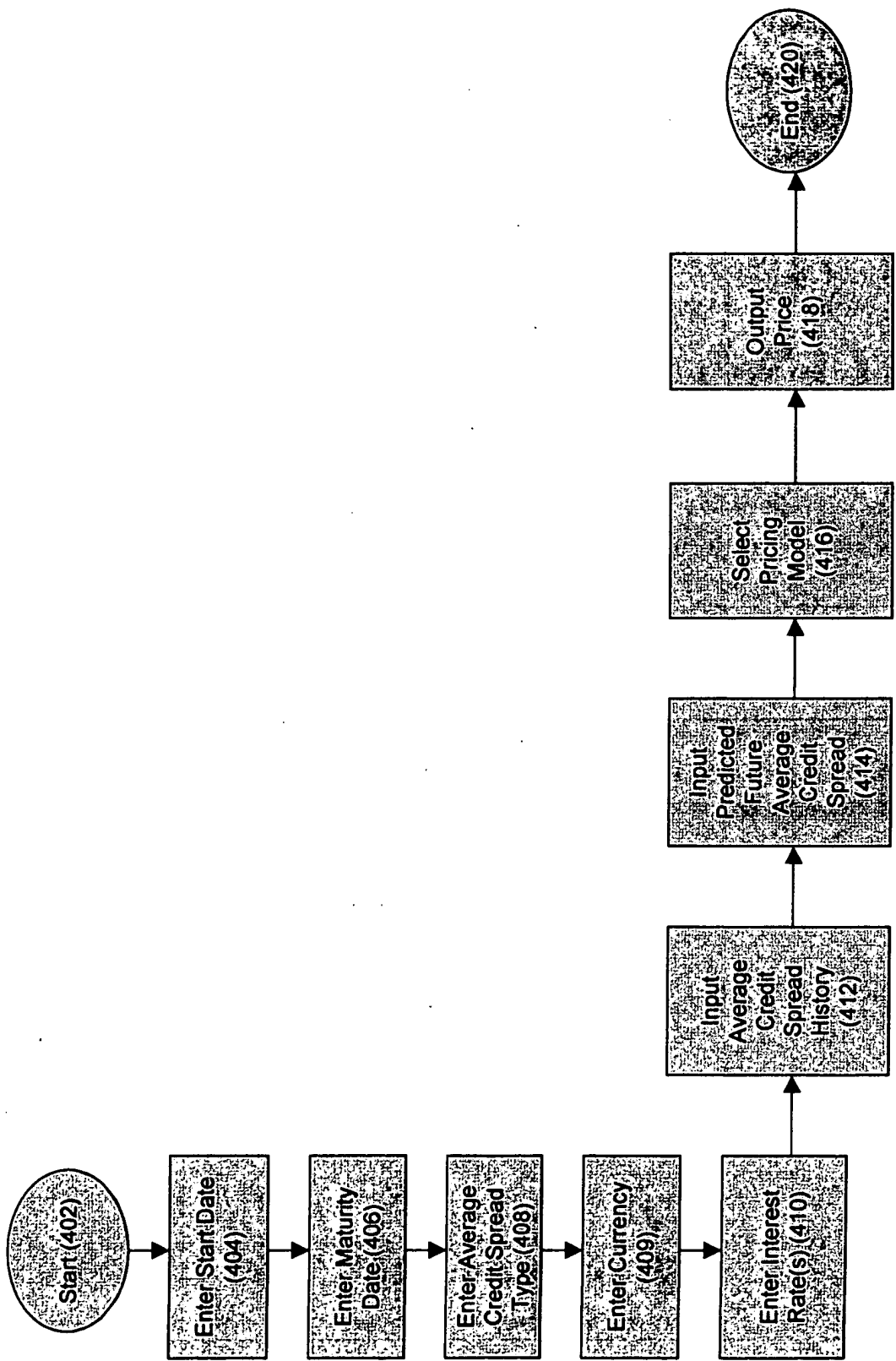


Fig.5 (500)

Options Pricing Module

Call Option Price

\$5350

Inputs

Enter Start Date

11/1/04

Enter Maturity Date

11/30/04

Select ACS Type

AIRLINE/INDUSTRY TOTAL

AUTO ASSEMBLY TOTAL

DEFENSE AEROSPACE TOTAL

COMMERCIAL BANK TOTAL

INVESTMENT BANK TOTAL

ENERGY PRODUCTION TOTAL

ENERGY SERVICES TOTAL

Enter Average Credit Spread (S)

456

Enter Strike Price (K)

366

Enter Interest Rate (r)

3%

Enter Standard Deviation (σ)

83.00

Enter Cum. Std. Norm. Dist. (N)

14%

Calculations

Time to Maturity

Months

Days

1

(T)

29

Calculation for D1

27.54

Calculation for D2

(41.67)

Exponential Function (e)

2.7183

Below Calculation of D

D1 = (#2 + #5)

BELOW CALCULATION OF D

#1 S / K

#2 Ln(s/k)

#3 r

#4 SIGMA^2/2

#5 (r + SIGMA^2/2)T

#6 TOP HALF OF EQUATION

#7 STD. DEV. (sqrt(ROO(T)))

#8 BOTTOM HALF OF EQUATION

#9 CALCULATION OF D

D2 = D1 - Sigma * Square root of T

(49.43)

R * T

(0.03)

ERT

0.97

STANDARD DEVIATION

83.00

MEAN

456

X

366

NORMAL DISTRIBUTION

Q.139107661

2484935(212)

Fig.6 (600)

